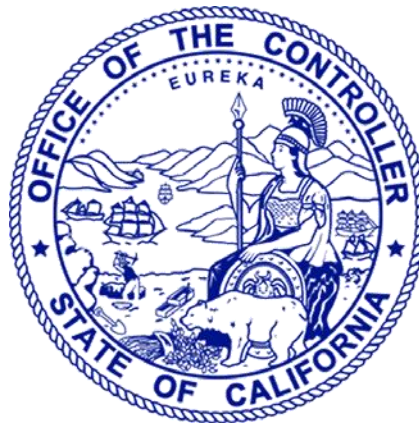


# Fall 2017 State Controller's Conference with County Auditors



**BETTY T. YEE**  
California State Controller

# Division of Audits Update

- General
- Mandated Cost Audits
- Court Revenue Audits
  - Presenter – Jim L. Spano, CPA, Assistant Division Chief
- Senate Bill 1 – Road Repair and Accountability Act of 2017
- Road Fund Audits
- Assembly Bill 804 – Internal Controls
  - Presenter – Efren Loste, CPA, Bureau Chief
- Property Tax Audits
  - Presenter – Scott Freesmeier, Audit Manager

# Mandated Cost Audits

- Recent Filed County Claims History:

<u>Fiscal Year</u>	<u>Claims</u>	<u>in Millions</u>
2009-10	986	\$ 237
2010-11	821	118
2011-12	681	52
2012-13	561	47
2013-14	466	31
2014-15	432	27
2015-16	442	27

# Mandated Cost Audits

## Mandated-Cost Programs Data

- Active Mandate Programs for Counties
  - 24 for FY 2016-17
- Alternatives to Filing a Mandate Claim

# Mandated Cost Audits

## Audit Results For FY 2016-17

- Published six audits, consisting of 26 claims for the following mandated-cost programs:
  - Consolidated HDS, HDS II Program and Seriously Emotionally Disturbed Pupils
  - Identify Theft
  - Open Meetings Act/Brown Act Reform
- Audited \$41 million in claimed costs and identified \$5.5 million in adjustments, a 13% error rate

# Mandated Cost Audits

## Programs Currently Being Audited

- Crime Statistics Reports for the Department of Justice
- Consolidated HDS, HDS II, and Seriously Emotionally Disturbed Pupils
- Interagency Child Abuse and Neglect Investigation Reports
- Municipal Storm Water and Urban Runoff Discharges
- Open Meetings Act/Brown Act Reform

# Mandated Cost Audits

## Outstanding County Appeals

- None
- Information regarding the filing of an Incorrect Reduction Claim is on the Commission's website at [www.csm.ca.gov](http://www.csm.ca.gov) (Click on "File a Claim" tab)

# Court Revenue Audits

- Final Reports Issued 10
- Reports In Process 6
- Audits in Process 7
- Next in the queue:

- Fresno

- San Francisco

- Madera

- Los Angeles

- Santa Clara

- Merced

- Colusa

- San Mateo

As of 9/19/2017, for calendar year 2017



# Court Revenue Audits

## Common Findings

- Incorrect calculations of the 50% excess of qualified fines, fees, and penalties
- Incorrect distributions of Red Light Violations and Emergency Medical Air Transportation penalty
- Incorrect distributions of Traffic Violator School bail
- Under-remitted parking surcharges and penalties

# Legal Issues

- Statute of Limitations vs. Records Retention
- Remittance of parking surcharges and penalties by private universities and colleges

# Senate Bill 1

## Road Repair and Accountability Act of 2017

- Senate Bill 1 created the Road Maintenance and Rehabilitation Program which is accounted for in the Road Maintenance and Rehabilitation Account
- Requirements:
  - Project listing to California Transportation Commission
  - Maintenance-of-Effort (MOE)
- Other:
  - Annual Road Report
  - Audits of Road Fund, MOE

# Assembly Bill 804

- Assembly Bill 804 authorizes the Controller to audit any local agency for purposes of determining whether the agency's internal controls are adequate to detect and prevent financial errors and fraud

# Property Tax Audits

Final Reports Issued 22

Reports In Process 4

Audits In Process 5

Next in the queue:

• San Diego	• Lassen
• Sierra	• Merced
• San Bernardino	• Orange
• San Mateo	• San Luis Obispo

As of 9/21/2017, for calendar year 2017

# Property Tax Audits

## Common Findings

- Railroad base year split from the unitary tax roll is not properly calculated
- Vehicle License Fee computations excluded utility assessed values and annexation adjustments
- Supplemental Administrative 5% Fees (SB 813) are improperly computed:
  - By including penalties and interest
  - By reducing total collection amounts by refunds

# Property Tax Audits Outstanding Issues

- Redevelopment Property Tax Trust Fund

# Property Tax Audits Outstanding Issues



[www.sco.ca.gov](http://www.sco.ca.gov)

(Under “Government Data and Accountability”  
then “Controller’s Audit Program)

## Links to Audit and Oversight Reports, and More Information

- Controller's Redevelopment Asset Reviews
- Controller's Audits of State and Local Agencies <sup>1</sup>
- Controller's Revenue Audits
- Controller's Oversight of Independent Auditors' Audits of Local Agencies
- Search for Additional Audits
- Information on Ordering Printed Copies of Controller's Audits



# Division of Audits

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\* Bureau Chief – Vacant

\*\* Bureau Chief – Efren Loste, CPA, (916) 324-7226, [eloste@sco.ca.gov](mailto:eloste@sco.ca.gov)

# Local Government Programs and Services Division Updates

- Financial Transactions Reports
  - Presenter – Michael Lu, Fiscal Analyst
- Policy Updates
  - Presenter – Jim Reisinger, Local Government Policy Manager

# Financial Transactions Reports Updates

- Revised FTR forms
  - Cities, Counties, and Special Districts
- LGRS Online
  - Web based reporting program
  - Fiscal 2016-17
  - User Guide
- Mailed letters on October 20, 2017

# Financial Transactions Reports Updates

- SCO in-house training
- PowerPoint Audio Training
  - How to use the new reporting program

# Policy Updates

- Jim Reisinger, Local Government Policy Manager



# Local Government Programs and Services Division

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# Questions



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